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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 002407

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TAGS: [ECON](#) [ETRD](#) [PGOV](#) [PREL](#) [PINR](#) [TW](#)

SUBJECT: MA ECONOMIC ADVISOR TOUTS OPENNESS AND "PRAGMATIC"  
CROSS-STRAIT POLICY

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Classified By: Robert S. Wang, AIT Deputy Director, for reasons 1.4 (b)  
and (d).

11. (U) This cable is one in a series on the Taiwan  
presidential candidates' policies and advisors.

12. (C) SUMMARY. During an October 25 meeting, Ma Ying-jeou  
economic policy advisor Steve Hsieh (Xiang-chuan) cited jobs  
as Taiwan voters' single biggest concern, especially in the  
South, and advocated economic openness as the best means of  
replicating the success of Taiwan's technology sector  
throughout the economy. Hsieh called for a "pragmatic"  
cross-strait economic relationship to include business  
dispute resolution mechanisms and removal of limits on Taiwan  
firms' China investment. Hsieh also called for simplifying  
Taiwan's tax structure and a reduction in corporate income  
tax. END SUMMARY.

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Supporting Ma's "long stay" campaign  
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13. (C) Hsieh noted that he has accompanied KMT presidential  
Ma Ying-jeou for most of his "long stay" campaign program in  
Taiwan, and will be joining Ma for the final series of visits  
in Northern Taiwan through November 11. Ma is stressing  
economic themes throughout the "long stay" program, said  
Hsieh, who has helped Ma organize "regional economy forums"  
with local and county officials during Ma's travels.  
Although Ma's activities have drawn little attention from the  
national media, he maintained, they have received extensive  
local media coverage.

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Taiwan voters focused on jobs  
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14. (C) According to Hsieh, the KMT's espousal of economic  
openness is the single biggest factor distinguishing the  
party's economic policy from that of the DPP. Taiwan must be  
"pragmatic" about economic relations with China, he stated.  
In Hsieh's view, Taiwan's major economic challenges are

cross-Strait integration, tax reform, and social welfare. Based on his travels with Ma around the island, Hsieh said Taiwan voters are most concerned about jobs, especially in the South. He believes the official unemployment rate of just under four percent under-reports the actual number of jobless, and noted that recent college graduates are having a particularly hard time finding jobs (Note: In September, the unemployment rate, regardless of education, was 12.04 percent for those aged 20-24, and 5.60 percent for those aged 25-29.) Hsieh ascribed Taiwan's vibrant technology sector to economic openness, noting that exposure to stiff international competition has forced Taiwan's high-tech firms to establish world class standards. Protectionist policies and Taiwan's small domestic market, in contrast, have left the banking and finance sector relatively weak and inefficient.

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Cross-strait economic policy  
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15. (C) Peace must be the first priority in any cross-Strait policy, stressed Hsieh. The vast majority of Taiwan residents want to maintain the cross-Strait status quo, he maintained. At the same time, he continued, China-Taiwan business relations must be "normalized," and mechanisms such as investment protection and double taxation agreements should be established to settle cross-Strait business disputes. For Taiwan firms investing in the PRC, Hsieh advocated removing the current 40 percent-of-net worth cap in favor of an open regime. He noted that increased "certainty" in cross-Strait political relations would bolster the Taiwan economy by encouraging local investors to repatriate funds now held in Hong Kong and mainland accounts.

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Tax reform  
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16. (C) Describing Taiwan's tax structure as "too

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complicated," Hsieh advocated reducing the current corporate income tax rate of 25 percent to a level more in line with Taiwan's major Asian economic competitors, most of whom now have rates in the 17.5-20 percent range. Although Taiwan's inheritance tax is "very high," he observed, Taiwan's increasing income inequality makes it "suicidal" for the KMT to support a reduction. Taiwan's minimum tax deduction should be increased, added Hsieh.

17. (C) COMMENT. Due to his experience at the Hsinchu technology park, Hsieh nominally focuses on technology sector issues in advising Ma. Perhaps due to his own Southern background, however, he seems to have carved out a broader, informal role in advising Ma on "grassroots" economic concerns. Hsieh's comments hewed closely to the KMT's free market economic orthodoxy. END COMMENT.

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Biographic data  
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18. (SBU) Steve Hsieh (Chinese name: Hsieh Xiang-chuan) was born on December 12, 1944, and grew up in Kaohsiung County. In 1967, he obtained a bachelor's degree in agricultural chemistry from National Taiwan University. In 1974, he completed a doctorate in nutritional biochemistry at the University of Wisconsin (Madison), and then spent three years as a post-doctoral fellow at the Florida State University Department of Biochemistry. In 1977-82, he was a researcher at the University of Alabama (Birmingham) Institute of Dental Research. After returning to Taiwan in 1982, Hsieh worked at the National Science Council through 1986, and then moved to the Hsinchu Science-Based Industrial Park Administration, including a 1989-96 stint as Director General. From 1996 through 2000, he was Vice Chairman of the National Science Council. Since 2000, Hsieh has been at the National Policy Foundation, a private KMT think tank headed by former KMT Chairman Lien Chan, where he now serves as Director of the Department of Technology and Economy.

19. (SBU) Hsieh speaks fluent English. He has three children, all resident in the U.S.: his twin daughters are in Seattle, where one works as a CPA and the other is employed by a Merck subsidiary, and his son does patent-related work in Los Angeles.  
YOUNG